

FLEETWOOD AREA SCHOOL DISTRICT  
BERKS COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2010



The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. Timothy Heffner, Board President  
Fleetwood Area School District  
801 North Richmond Street  
Fleetwood, Pennsylvania 19522

Dear Governor Rendell and Mr. Heffner:

We conducted a performance audit of the Fleetwood Area School District (FASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period February 15, 2007 through August 13, 2009, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008, 2007, 2006, and 2005. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the FASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the FASD's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 29, 2010

cc: **FLEETWOOD AREA SCHOOL DISTRICT** Board Members



## **Table of Contents**

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	Page
Executive Summary .....	1
Audit Scope, Objectives, and Methodology .....	3
Findings and Observations .....	5
Status of Prior Audit Findings and Observations .....	6
Distribution List .....	9



## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Fleetwood Area School District (FASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the FASD in response to our prior audit recommendations.

Our audit scope covered the period February 15, 2007 through August 13, 2009, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08, 2006-07, 2005-06 and 2004-05.

### **District Background**

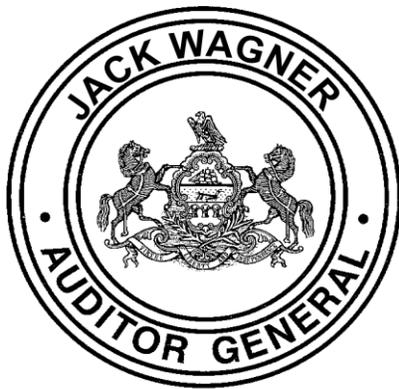
The FASD encompasses approximately 39 square miles. According to 2000 federal census data, it serves a resident population of 14,071. According to District officials, in school year 2007-08 the FASD provided basic educational services to 2,718 pupils through the employment of 218 teachers, 157 full-time and part-time support personnel, and 17 administrators. Lastly, the FASD received more than \$9.7 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the FASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

### **Status of Prior Audit Findings and Observations.**

With regard to the status of our prior audit recommendations to the FASD from an audit we conducted of the 2003-04 and 2002-03 school years, we found the FASD had taken appropriate corrective action in implementing our recommendations pertaining to transportation reimbursement underpayment (see page 6), a certification deficiency (see page 7), issues regarding bus drivers' qualifications (see page 7), and unmonitored vendor system access and logical access control weaknesses (see page 7).



## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period February 15, 2007 through August 13, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Department of Education (DE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a law, regulation, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the FASD's compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?

- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## Methodology

*What are internal controls?*

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, regulations, contracts, grant requirements and administrative procedures.

*Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit are included in this report.

Our audit examined the following:

- Records pertaining to financial stability.
- Items such as Board meeting minutes.

Additionally, we interviewed selected administrators and support personnel associated with FASD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on October 22, 2007, we reviewed the FASD's response to DE dated February 17, 2009. We then performed additional audit procedures targeting the previously reported matters.

## **Findings and Observations**

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**F**or the audited period, our audit of the Fleetwood Area School District resulted in no findings or observations.

## Status of Prior Audit Findings and Observation

Our prior audit of the Fleetwood Area School District (FASD) for the school years 2003-04 and 2002-03 resulted in three reported findings and one reported observation, as shown in the following table. As part of our current audit, we determined the status of corrective action taken by the FASD to implement our prior recommendations. We analyzed the FASD Board's written response provided to Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings and observation. As shown below, we found that the FASD did implement recommendations related to the transportation reimbursement underpayment, a certification deficiency, and issues regarding bus drivers' qualifications findings, and partially complied with our recommendations regarding the unmonitored vendor system access and logical access control weaknesses observation.

<i>School Years 2003-04 and 2002-03 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Finding No. 1:</i></u>  <u><i>Transportation</i></u>  <u><i>Reimbursement</i></u>  <u><i>Underpayment of \$5,866</i></u></p> <ol style="list-style-type: none"> <li>1. Establish reconciliation procedures to ensure all bus data is reported on the District's end-of-year transportation reports.</li> <li>2. Review reports for years subsequent to our audit and, if errors are found, submit revisions to DE.</li> <li>3. DE should adjust the District's allocations to resolve the \$5,866 reimbursement underpayment.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of the District's transportation reports for the 2003-04 and 2002-03 school years found that data for one contracted vehicle for the 2002-03 school year was not reported to DE. This error resulted in a transportation reimbursement underpayment of \$5,866 for the 2002-03 school year.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District implemented procedures to reconcile all bus drivers' monthly mileage reports to all approved bus routes in July 2007.</p> <p>District personnel reviewed reports for the 2005-06 and 2004-05 school years; no discrepancies were found.</p> <p>As of fieldwork completion, August 13, 2009, the District had not received the \$5,866 reimbursement underpayment. We again recommend that DE resolve the underpayment.</p>

<p><b><u>II. Finding No. 2: Certification Deficiencies</u></b></p> <ol style="list-style-type: none"> <li>1. Take necessary action required to ensure compliance with certification regularities.</li> <li>2. Require all professional employees to have valid Pennsylvania certification for all of their assignments prior to employment.</li> <li>3. DE should take action to recover the appropriate subsidy forfeitures.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of professional employees' certification and assignments for the period November 4, 2004 through February 12, 2007, found that one individual was assigned to teach two courses without holding the required certification.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District complied with our recommendations and, as of February 2007, the individual had obtained required certification.</p> <p>DE deducted \$1,247 from the District's allocations on May 30, 2008, to resolve this finding.</p>
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<p><b><u>III. Finding No. 3: Issues Regarding Bus Drivers' Qualifications</u></b></p> <ol style="list-style-type: none"> <li>1. Implement policy and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.</li> </ol>	<p><b>Background:</b></p> <p>Our prior audit of bus drivers' qualifications found that the District did not have written policies or procedures in place to ensure the District was notified if current bus drivers were charged with or convicted of a criminal offense which, although not legally prohibiting the District from continuing to employ the individual, nonetheless should be considered for the purpose of determining the individual's continued suitability to be in direct contact with children.</p>	<p><b>Current Status:</b></p> <p>Our current audit found that the District implemented our recommendations by adopting written board policies on March 18, 2008, to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.</p>
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<p><b><u>IV. Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses</u></b></p> <ol style="list-style-type: none"> <li>1. Generate and review monitoring reports of the Berks County Intermediate Unit #14 (BCIU), vendor and employee activity on its system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). The District should review these reports to determine that</li> </ol>	<p><b>Background:</b></p> <p>We determined that a risk existed that unauthorized changes to the District's data could occur and not be detected because the District was unable to provide supporting evidence that it was adequately monitoring all vendor activity in its system.</p>	<p><b>Current Status:</b></p> <p>Our current audit found the District partially complied with our recommendations as follows:</p> <ol style="list-style-type: none"> <li>1. The District has not generated monitoring reports of activity of BCIU, vendor and employee activity on its system. District personnel noted that reports containing access activity will begin in September 2009.</li> </ol>
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<p>the access was appropriate and that data was not improperly altered. The District should also ensure it is maintaining evidence to support this monitoring and review.</p> <p>2. Establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the District should require the vendor to sign the District's own Acceptable Use Policy.</p> <p>3. Include in the contract with BCIU a non-disclosure agreement for the District's proprietary information.</p> <p>4. Implement a security policy and system parameter settings to require all users, including BCIU and the vendor, to change their passwords on a regular basis (i.e., every 30 days). Passwords should be a minimum length of eight characters and include alpha, numeric, and special characters. Also, the district should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords) and log users off the system after a period of inactivity (i.e., 60 minutes maximum).</p>		<p>2. The BCIU has signed a letter acknowledging they are in compliance with the District's Acceptable Use Policy.</p> <p>3. The current agreement between the District and the BCIU does not contain a non-disclosure agreement. The District entered into a new contract dated July 2009, which contains a non-disclosure agreement; however, as of fieldwork completion, August 13, 2009, this contract had not yet been approved by the board.</p> <p>4. The District's system parameter settings require all users, including BCIU and the vendor, to change passwords every 60 days; requires that passwords are at least seven characters in length; limits the number of unique passwords associated with a user before an old password can be reused to four; and logs a user off the system after a period of inactivity of 30 minutes.</p> <p>We again recommend that the District generate and review monitoring reports of BCIU, vendor and employee activity on its system; ensure that passwords are a minimum of eight characters; and maintain a password history of ten passwords.</p>
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## **Distribution List**

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This report was initially distributed to the superintendent of the school district, the board members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.  
Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Senator Jeffrey Piccola  
Chair  
Senate Education Committee  
173 Main Capitol Building  
Harrisburg, PA 17120

Senator Andrew Dinniman  
Democratic Chair  
Senate Education Committee  
183 Main Capitol Building  
Harrisburg, PA 17120

Representative James Roebuck  
Chair  
House Education Committee  
208 Irvis Office Building  
Harrisburg, PA 17120

Representative Paul Clymer  
Republican Chair  
House Education Committee  
216 Ryan Office Building  
Harrisburg, PA 17120

Ms. Barbara Nelson  
Director, Bureau of Budget and  
Fiscal Management  
Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

Dr. David Wazeter  
Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

Dr. David Davare  
Director of Research Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055



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